

STATE BOARD OF BANKING REVIEW

REGULATION NO. 2 (AS AMENDED)

Effective Date August 19, 1999

(1) WHEREAS, Pursuant to the authority granted by Miss. Code Ann. § 81-5-1(10), the State Board of Banking Review of the State of Mississippi is authorized to promulgate regulations that entitle a state-chartered bank to have and possess such of the rights, powers, privileges, immunities, duties and obligations ("rights") of a national bank having its principal place of business in this state and under the same circumstances and conditions upon which such rights are enjoyed by such national banks by virtue of federal statute, rule, regulation, interpretive ruling, regulatory order, or court decision, subject to the conditions and circumstances set out therein.

(2) WHEREAS, Pursuant to the authority granted by Miss. Code Ann. § 81-12-49(r), the State Board of Banking Review is authorized to promulgate regulations that entitle a state chartered savings association or a savings and loan association to have and possess such of the rights, powers, privileges, immunities, duties and obligations ("rights") of a federal savings association or savings and loan association located in the state and under the same circumstances and conditions upon which such rights are enjoyed by such federal association by virtue of federal statute, rule, regulation, interpretive ruling, regulatory order, or court decision, subject to the conditions and circumstances set out therein.

(3) WHEREAS, Pursuant to the authority granted by Miss. Code Ann. § 81-14-321, the State Board of Banking Review is authorized to promulgate regulations that entitle a state chartered savings bank to have and possess such of the rights, powers, privileges, immunities, duties and obligations ("rights") of thrift institutions organized and operating under the laws of this state or the federal government and under the same circumstances and conditions upon which such rights are enjoyed by such thrift institutions by virtue of state or federal statute, rule, regulation, interpretive ruling, regulatory order, or court decision, subject to the conditions and circumstances set out therein.

(4) WHEREAS, The former Savings Association Board of the State of Mississippi and Commissioner of Savings Association promulgated regulations on February 21, 1978 as subsequently amended purporting to grant to state savings associations powers of federal savings associations, such regulation having been carried over to the State Board of Banking Review and the Commissioner of Banking and Consumer Finance by virtue of a transfer of responsibilities to the State Board of Banking Review and Commissioner of Banking and Consumer Finance by virtue of Miss. Code Ann. § 81-12-6 and §81-14-151.

(5) THEREFORE, Pursuant to the authority granted by Miss. Code Ann. §§ 81-5-1(10), 81-12-49(r), 81-14-321, and the Mississippi Administrative Procedures Law at Miss. Code Ann. §§ 25-43-1 through -19, the State Board of Banking Review hereby repeals that certain Regulation originally promulgated by the Savings Association Board of the State of Mississippi on February 21, 1978 (known as Rules for Practice and Procedure and Rules and Regulations Governing Savings and Loan Associations) and amends its Regulation No. 2 as set forth herein.

(6) THEREFORE, Pursuant to the authority granted by Miss. Code Ann. §§ 81-5-1(10), 81-12-49(r), 81-14-321, and the Mississippi Administrative Procedures Law at Miss. Code Ann. §§ 25-43-1 through -19, the State Board of Banking Review hereby amends Regulation 2 to read in its entirety as follows:



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REGULATION 2

Any state-chartered bank, savings association, savings and loan association, or savings bank may exercise the rights, powers, privileges, immunities, duties and obligations of a federally chartered depository institution under the same circumstances and conditions as enjoyed by such federally chartered depository institution, subject to the prior approval and any conditions imposed by the Commissioner of Banking and Consumer Finance ("Commissioner"). Upon submission of proof, through an application procedure provided by the Department of Banking and Consumer Finance, that the right sought is possessed by the entity's respective federally chartered counterpart which operates within the State, the Commissioner shall determine whether to approve the required action. In the event that any approved right is subsequently modified, restricted or prohibited by virtue of federal statute, rule, regulation, interpretive ruling, regulatory order, or court decision, the right enjoyed by the state entity shall be correspondingly restricted under the same circumstances and conditions.

As you can now see in the latest amendment to Regulation 2, State Board of Banking Review, a state chartered institution, with documented data, can request parity with their federal counterpart. This submission of proof and request for parity must be done prior to beginning the activity. For your convenience, the following listing from the previous amendment to Regulation 2 details numerous activities that have been used for parity in the past and may still be requested. However, any activity, allowed by a federal regulator, not listed must be documented and submitted for approval.

I. CORPORATE GOVERNANCE

BRANCHING - Source: 12 U.S.C. § 36, 12 C.F.R. §5.30 and Department of Banking and C Consumer Finance v. Clarke, 809 F.2d 266, cert denied, 483 U.S. 1010 (Tab C-1).

A state-chartered bank, before establishing a branch bank, must obtain prior approval of the Commissioner, Department of Banking and Consumer Finance upon satisfactory demonstration of public convenience and necessity; automated teller machines (ATMs) are deemed to be branch banks; and state- chartered branch banks may be established without regard to any population restriction or territorial restriction and may be established outside municipalities or in unincorporated areas.

DIRECTORS' QUALIFYING SHARES - Source: 12 U.S.C. § 72 and 12 C.F.R. §7.4210 (Tab C-2)

A state-chartered bank, with prior approval from the Commissioner, Department of Banking and Consumer Finance, shall have authority to exchange directors' qualifying shares of stock of a bank and to substitute in lieu thereof a like amount of qualifying shares of a holding company, with the holding company stock to be considered as directors' qualifying shares as set forth under the provisions of Miss. Code Ann. § 81-5-45

EXTENSIONS OF CREDIT TO DIRECTORS, EXECUTIVE OFFICERS AND PRINCIPAL SHAREHOLDERS - Source: 12 U.S.C. § 84, 12 U.S.C. § 375b(4), 12 C.F.R. § 215 (Tab C-3)

A state-chartered bank shall have authority to extend lines of credit to directors, executive officers, and principal shareholders in accordance with 12 U.S.C. § 375b(4) and § 215.4 of Regulation O.

INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES AND AGENTS - Source: 12 C.F.R. § 7.5217 (Tab C-4)

A state-chartered bank, with prior approval from the Commissioner, Department of Banking and Consumer Finance, shall have authority to amend its Articles of Incorporation to provide for indemnification of its directors, officers, employees, and agents against liabilities and expenses incurred by them in their official capacities and for the payment of premiums for insurance insuring the liability of its directors, officers, employees, and agents.


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II. ACTIVITIES

ACCEPTANCES - Source: 12 C.F.R. §7.7420 and Interpretive Letter 268 (Tab A-1)

Sale of small denominations in acceptances created by another bank subject to reserve requirements unless there is a pro rata transfer of ownership rights.

AGENCY ACTIVITIES - Source: 12 USC § 1828(r) (TAB A-91)

A. In accordance with the rules, regulations, policies, and procedures of the Department of Banking and Consumer Finance, any Mississippi state-chartered financial institution that is a subsidiary of a bank holding company may agree to receive deposits, renew time deposits, close loans, service loans, and receive payments on loans and other obligations as an agent for an affiliated depository institution.

B. Notwithstanding any other provision of law, any Mississippi financial institution acting as an agent in accordance with Subsection A of this Section shall not be considered to be a branch of the other financial institution for which it acts as agent.

C. In acting as an agent pursuant to this Section, a state-chartered bank may not:

- (1) Conduct any activity which such institution is prohibited from conducting as a principal under any applicable federal or state law, or
- (2) As a principal, have an agent conduct under this Section any activity which the institution is prohibited from conducting under any applicable federal or state law.

D. No provision of this Section shall be construed as affecting either of the following:

- (1) The authority of any financial institution to act as an agent on behalf of any other financial institution under any other provision of law.
- (2) Whether a financial institution which conducts any activity as an agent on behalf of any other financial institution under any other provision of law shall be considered to be a branch of such other institution.

E. Agency relationships by and between financial institutions as provided in this Section shall be on terms that are consistent with safe and sound banking practices and all applicable regulations of any appropriate state or federal banking supervisory agency.

AGENT FOR DEPOSIT PLACEMENT - Source: Investment Securities Letter 32 (Tab A-5)

Bank may act as agent and place deposits in other financial institutions on behalf of customer (Must register as deposit broker).

ATM NETWORK - Operation Via Subsidiary - Source: Interpretive Letter 289 (Tab A-9)

Bank may form an operating subsidiary to enter into a partnership or joint venture with another bank to establish an automated teller machine network subject to certain conditions.

ATM NETWORKS - Source: No objection letter 87-11, and Interpretive Letter 381 (Tab A-10)

Conversion of proprietary ATM network into a shared network where it provides service for other banks in the network.

ATTACHMENT, INJUNCTION AND EXECUTION - Source: 12 USC § 91 and U.S. v. Lemaire 86 F.2d 387 (5th Cir. 1987), rehearing denied 831 F.2d 1062, cert. denied 108 S.Ct. 1223. (TAB A-92)

No attachment, injunction or execution shall be issued against a state chartered bank or its property before final judgment in any suit, action or proceeding, any state, county or municipal court.

AUTOMATIC PAYMENT PLAN ACCOUNTS - Source: 12 C.F.R. §7.7560 (Tab A-11)

BALLOON LOANS - Source: Interpretive Letter 364 (Tab A-12)

Bank may make either conventional or repurchase balloon loans.



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CERTIFICATES OF DEPOSIT - PURCHASE AND SALE OF PARTICIPATIONS - Source: Interpretive Letter 385 (Tab A-13)

Bank may purchase certificates of deposit and sell participation interest therein to its customers.

CHARITABLE CONTRIBUTIONS - Source: 12 U.S.C. §24 Eighth and 12 C.F.R. §7.7480. (Tab A-14)

Bank may contribute to community funds or to charitable philanthropic or benevolent instrumentalities conducive to public welfare such sums as the board of directors may deem expedient and in the interests of the bank, provided that investment in any one project does not exceed 2% of capital and surplus and investments in all such projects do not exceed 5% of capital and surplus.

CHECK CERTIFICATION - Source: 12 U.S.C. §501 (Tab A-15)

CHECK GUARANTEE PLANS - Source: 12 C.F.R. §7.7015. (Tab A-16)

Bank may enter into check guarantee arrangements.

CREDIT CARD BANK - Source: Interpretive Letter 565 (Tab A-23)

Bank may establish a credit card bank as a subsidiary.

CREDIT CARD CUSTOMER LIST - SALE OF - Source: Interpretive Letter 316 (Tab A-24)

Bank may sell credit card customer list to an insurance agency offering insurance.

CREDIT CARD ISSUANCE - Source: 12 C.F.R. §7.7378. (Tab A-25)

DATA PROCESSING SERVICES - Source: Interpretive Letter dated May 1, 1985, [1986 WL 149765]; Interpretive Letter dated April 25, 1986, [1986 WL 143931]; Interpretive Letter dated August 3, 1977; Interpretive Letter 449; Interpretive Letter 346; Interpretive Letter 345 (Tab A-28)

Bank may directly or through an operating subsidiary provide data processing services for itself and other depository institutions.

DATA PROCESSING - MARKETING OF BANK RELATED COMPUTER SOFTWARE - Source: Interpretive Letter dated July 13, 1987, [1987 WL 149776], Letter December 6, 1990, [1990 WL 362196]. (Tab A-58)

Bank's operating subsidiary may be a general partner with a corporation where the purpose of the partnership is to develop and market banking- relating computer software to financial institutions and companies that process items for financial institutions; Bank may market software.

DEBT COLLECTION AND ASSET MANAGEMENT SERVICES - RTC. - Sources: Interpretive Letter 498, Interpretive Letter 538 (Tab A-30)

ECONOMIC DEVELOPMENT LOANS TO NATIVE AMERICANS - Source: 25 U.S.C. §1489 (Tab A-33)

Loans to certain authorized Indian organizations, at least 20% of which are guaranteed, without being subject to restrictions of other statutes regarding loan to value ratios, maturity, security, priority of lien or percentage of assets that may be invested.

EFT NETWORK VIA SUBSIDIARY - Source: Interpretive Letter 289; Interpretive Letter 160 (Tab A-34)

ELECTRONIC FUNDS TRANSFER SWITCH - Source: Interpretive Letter 382 (Tab A-35)

Enter into a general partnership to provide an electronic funds transfer switch for use by financial institutions.



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GUARANTY OF OBLIGATION OF OTHERS - Source: 12 C.F.R. §7.7010 and §7.7012; Interpretive Letter 218; Interpretive Letter 94 (Tab A-40)

A bank may lend its credit, act as a surety or otherwise become a guarantor if it has a substantial interest in the performance of the transaction involved or has a segregated deposit sufficient amount to cover the bank's total potential liability.

INCIDENTAL POWERS NECESSARY TO BUSINESS OF BANKING - Source: 12 U.S.C. §24 (Seventh) (Tab A-41)

INDEMNIFICATION OF OFFICERS AND DIRECTORS - Source: Interpretive Letter dated August 2, 1977; 12 C.F.R. §7.5217; Interpretive Letter 404 (Tab A-42)

INDIVIDUAL RETIREMENT ACCOUNTS - Source: OCC Banking Cir. 61, Interpretive Letter 302 (Tab A-43)

Bank without trust powers may act as IRA custodian if the individual retirement account funds are held in savings or time deposit accounts.

INSURANCE ACTIVITIES AND INVESTMENTS:

a. **ACTING AS GENERAL INSURANCE AGENT** - Source: 12 U.S.C. §92 and 12 C.F.R. 7.7100 (Tab A-2)

authorizes National Bank located in community of less than 5,000 inhabitants to act as an insurance agent even if the principal office is in a larger community. Note, however, that Miss. Code Ann. §83-17-227 sets a limit of 7,000 and prohibits banks who maintain an office in a larger community from acting as an agent.

b. **ANNUITIES - SALE OF** - Source: Interpretive Letter 475 and Interpretive Letter 331; Interpretive Letter 499 (Tab A-7)

Bank may act as agent for sale of fixed rate and variable rate annuities (may be subject to challenge of regulation by Insurance Dept.)

c. **COLLATERAL PROPERTY PROTECTION INSURANCE** - Source: unnumbered interpretive letter dated June 3, 1986; Interpretive Letter 91 (Tab A-18)

Bank may sell in connection with an extension of credit from the bank, vendor's single or double interest insurance.

d. **CREDIT LIFE INSURANCE - SALE OF** - Source: Interpretive Letter 495; Interpretive Letter 330; Interpretive Letter 283; Interpretive Letter 152; Interpretive Letter 9; Interpretive Letter dated November 21, 1977; Interpretive Letter 8; Interpretive Letter 18; Interpretive Letter 45; Interpretive Letter 26; Also 12 C.F.R. §2.4 and §2.6. (Tab A-26)

e. **CREDIT LIFE INSURANCE - UNDERWRITING OF** - Source: Interpretive Letter 277; letter of February 24, 1993 (Tab A-27)

Bank may acquire as an operating subsidiary, insurance company that is engaged in the business of underwriting credit life and accident health insurance in connection with loans made by the bank and its subsidiaries or may participate as a shareholder in such a company provided certain safeguards are met.

f. **DEBT CANCELLATION CONTRACTS** - Source: 12 C.F.R. §7.7495 (Tab A-29)

Bank may establish reserves against losses arising from cancellation of outstanding debt upon death of borrower by establishing additional charges.

g. **DEFERRED FEE AND DEATH BENEFIT INSURANCE** - Source: Interpretive Letter 401 (Tab A-31)

Bank may purchase insurance to protect its interest, including interest in the performance of its personnel.



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h. KEY MAN INSURANCE - Source: 12 C.F.R. §7.7115; (Tab A-45)

may purchase insurance for benefit of bank on life of a bank officer.

i. LEASE OF BANK LOBBY TO UNAFFILIATED ENTITIES - Source: Interpretive Letter 562; Interpretive Letter 533, Interpretive Letter 408; Interpretive Letter 407; Interpretive Letter 406; and Interpretive Letter 274 (Tab A-51)

unaffiliated entity engaging in brokerage activities and insurance activities with rental payments made to the bank based on a percentage of gross commissions received by the tenant; note, however, subject to Mississippi Insurance Law.

j. LIFE INSURANCE ON DIRECTORS AND EMPLOYEES - Source: Interpretive Letter 401 (Tab A-52)

Bank may purchase single premium life insurance policy for a director in connection with a deferred fee program.

k. LOAN CUSTOMER LIST - Source: Interpretive Letter 316 (Tab A- 56)

Bank may sell list of loan customers to an insurance agency having a percentage lease arrangement with the bank.

l. SPLIT DOLLAR LIFE INSURANCE - Source: Interpretive Letter 429 and OCC Banking Circular 249 (Tab A-85)

Bank may purchase split dollar life insurance on an officer or director under which the bank transfers the benefit portion of the policies to the officer or director upon retirement or resignation while retaining ownership of a portion of the policy sufficient to recover investment.

m. STOCK IN COMPANY AFFILIATED WITH CAPTIVE INSURER - Source: Interpretive Letter 554 (Tab B-17) Bank may purchase shares of stock in a company affiliated with an industry captive insurance company as a condition precedent to obtaining insurance from the captive.

LEASING EQUIPMENT AND PERSONAL PROPERTY - Source: 12 U.S.C. §24 Seventh; 12 C.F.R. §23.7; Interpretive Letter 556 (Tab A-36) Bank may invest in tangible personal property, including without limitation vehicles, manufactured homes, machinery equipment or furniture for lease financing transactions on a net lease basis, provided the aggregate book value of all such property does not exceed 10% of the consolidated assets of the bank.

LEASES, FULL PAYOUT - Source: Interpretive Letter 20; OCC Banking Circular 125 (Tab A-39) Bank may reasonably rely on the residual value of leased property in structuring a full net payout lease recouping 100% of the investment plus cost of handling.

LEASE CONSULTING SERVICES VIA SUBSIDIARY - Source: Interpretive Letter 567 (Tab A-46) Bank may engage in property leasing activities through a subsidiary, including lease consulting services, finder services, and lease servicing.

LEASE FINANCING - Source: 12 C.F.R. § 7.3400; 12 C.F.R. Part 23; OCC Banking Bulletin 91-47; Interpretative Letter 97; (Tab A-47)

LEASE OF BANK LOBBY TO UNAFFILIATED ENTITIES - Source: Interpretive Letter 562; Interpretive Letter 533, Interpretive Letter 408; Interpretive Letter 407; Interpretive Letter 406; and Interpretive Letter 274 (Tab A-51) unaffiliated entity engaging in brokerage activities and insurance activities with rental payments made to the bank based on a percentage of gross commissions received by the tenant; note, however, subject to Mississippi Insurance Law.

LEASING BANK EMPLOYEES FROM THIRD PARTY - Source: Interpretive Letter 431 (Tab A-50) Bank may lease services of its employees from third parties so long as board of directors continues to retain and exercise general supervision over the affairs of the bank.

LOAN ORIGATION SERVICES ACTIVE THROUGH OPERATING SUBSIDIARY - Source: Interpretive Letter 387 (Tab A-53)

LOAN PRODUCTION OFFICES - Source: OCC Banking Circular 199; 12 C.F.R. §7.7380. (Tab A-54) Approval and Funding at Main or branch office

LOAN REPURCHASE AGREEMENTS - Source: 12 C.F.R. §7.7519, (Tab A-55) Bank may agree to repurchase loans or other assets.



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MERGER WITH INSURED DEPOSITARY INSTITUTION - Source: 12 U.S.C. §215c (Tab A-59) any national bank may acquire or be acquired by any insured depositary institution.

MONEY ORDERS - SALE OF AT NON-BANK LOCATIONS - Source: 12 C.F.R. §7.7500. (Tab A-60)

PARTICIPATIONS IN EQUIPMENT LEASE FINANCING RECEIVABLE - Source: Interpretive Letter 374 (Tab A-67) Bank may purchase a participation interest of less than 100% in an equipment lease financing receivable and such purchase would not be a participation in a partnership.

PARTICIPATIONS IN SMALL BUSINESS ADMINISTRATION GUARANTEED LOANS - Source: Interpretive Letter 350 (Tab A-68) Bank may purchase participations in SBA guaranteed loans, subject to certain conditions and limitations.

PASS-THROUGH PARTICIPATION CERTIFICATES - PURCHASE OF - Source: Interpretive Letter 579 (Tab A-69) Bank may purchase pass through participation certificates that represent interests in pools of FHA-Insured Title I property improvement loans.

PAYROLL ISSUER - Source: 12 C.F.R. §7.7485 (Tab A-70) Bank may act as payroll issuer for its customers.

PLEDGING ASSETS - Source: Interpretive Letter dated December 16, 1987 at 1987 WL 149807 (Tab A-71) Bank may pledge investment securities to secure its borrowings, within limits imposed by the need to maintain adequate liquidity.

PLEDGING ASSETS TO SECURE PUBLIC DEPOSITS - Source: 12 U.S.C. §90; 25 U.S.C. 162a and 12 C.F.R. §7.7410. (Tab A-72)

PREPARING INCOME TAX RETURNS - Source: 12 C.F.R. §7.7430 (Tab A-73) may not serve as an expert tax consultant.

REAL ESTATE ACTIVITIES AND INVESTMENTS:

a. **ADJUSTABLE RATE MORTGAGES** - Source: 12 C.F.R. 34.6 (Tab A-3)

b. **APPRAISALS** - Source: Interpretive Letter 467 (Tab A-8) Bank may perform real estate appraisals for loans it originates as well as for other financial institutions.

c. **COLLATERALIZED MORTGAGE OBLIGATIONS - PURCHASE OF** - Source: Interpretive Letter dated April 16, 1987. (Tab A-21) Bank may purchase without limit collateralized mortgage obligations that the meeting the requirements of 12 U.S.C. § 24 (Seventh).

d. **EXCHANGING OREO FOR MORTGAGES ON OTHER PROPERTY** -Source: Interpretive Letter dated June 4, 1986, [1986 WL 143934]. (Tab A-37)

e. **INVESTING IN MORTGAGE RELATED SECURITIES VIA MUTUAL FUNDS** - Source: Investment Securities Letter 15 (Tab A-44) Bank may generally purchase mortgage related securities and may, therefore, invest in mutual funds which own eligible mortgage-related securities.

f. **LEASE OF DPC PROPERTY** - Source: Interpretive Letter dated September 2, 1977 (Tab A-48) Bank may enter into a lease agreement regarding DPC property.

g. **LEASE OF PUBLIC FACILITIES** - Source: 12 C.F.R. §7.3300 (Tabs A-49 and B-13) Bank may lease a building to a municipality so long as lease agreement provides that municipality will become owner of building upon expiration of lease. Bank may purchase or construct a municipal building and as holder of legal title lease it to a public authority having resources sufficient to make rental payments.

h. **MORTGAGE BANKING SUBSIDIARY** - Source: Interpretive Letter dated December 19, 1986, [1986 WL 143894]. (Tab A-61) Bank may establish an operating subsidiary as a mortgage company



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- i. MORTGAGE SERVICING - Source: 12 C.F.R. §7.7379 and Interpretive Letter dated July 23, 1986, [1986 WL 143932]. (Tab A- 62) Bank may act as agent to service mortgages and may, through an operating subsidiary, be a 50% equity partner and sole general partner in limited partnership form for the purpose of conducting a mortgage servicing operation.
- j. PURCHASE OF PROPERTY TO SECURE PREVIOUSLY CONTRACTED DEBT - Source: Interpretive Letter 12 (Tab A-75) Bank may purchase real property in order to protect a partial interest or title that was acquired to secure previously contracted debt, but bank may not enter into a joint venture to operate such property.
- k. REAL ESTATE ASSET MANAGEMENT SERVICES - Source: Interpretive Letter 389 (Tab A-76) operating subsidiary may furnish real estate asset management and advisory services to other financial institutions.
- l. REAL ESTATE CONSULTING VIA SUBSIDIARY - Source: Interpretive Letter 238 (Tab A-77) Operating subsidiary may act as finder in locating, analyzing and making recommendations regarding the purchase of property and may make recommendations concerning the sale of property, but may not act as broker in performing these activities.
- m. REAL ESTATE LOANS VIA SUBSIDIARY - Source: Interpretive Letter 389 (Tab A-78) Bank operating subsidiary may make commercial real estate loans, including construction and development loans, as originator or participant.
- n. REAL ESTATE SWAPS - Source: Interpretive Letter 349 (Tab A- 79) Bank may exchange OREO for other property provided the transaction is undertaken to substantially reduce or avoid potential loss on OREO property.
- o. SELLING OREO WITH BANK FINANCING - Source: Interpretive Letter dated July 30, 1986. [1986 WL 143914]. (Tab A-82)
- p. SERVICES FOR HOMEOWNERS ASSOCIATIONS - Source: Interpretive Letter dated August 20, 1987. [1987 WL 149774] (Tab A-83) Bank may perform various types of review and analysis required for homeowner associations and their management companies, including projections for future reserve needs, timing of contributions, and economic forecasts.
- q. SHARED APPRECIATION MORTGAGE LOANS - Source: Interpretive Letter 244 (Tab A-84) Bank may make shared appreciation loan to developer for the conversion of residential property into condominium units and receive a fixed amount or percentage of the sales price of each unit sold; and the bank may finance the acquisition or improvement of real property on which the borrower will operate its business.
- r. MORTGAGE RELATED SECURITIES - Source: Investment Securities Letter No. 15 (Tab B-7) Bank may purchase mortgage related securities and may therefore invest in mutual funds which own eligible mortgage related securities.
- s. OTHER REAL ESTATE OWNED - Source: 12 U.S.C. §29 and 12 C.F.R. §7.3025, (Tab B-11) OREO may be an equity investment subject to the five year holding limitation.
- t. REAL ESTATE, RESIDENCE FOR BANK OFFICER - Source: 12 C.R.R. 7.5230, Interpretive Letter 263 (Tab B-14) For the development and efficient utilization of bank personnel, a bank may purchase the residence of an employee who has been transferred to another area, in order to spare the employee a loss in the prevailing market. Bank may own real property that is to be used as a residence for bank officer when working out of town as long as IRS allows an expense deduction.

SECURITIES ACTIVITIES:

- a. ADVISORY AND DISCOUNT BROKERAGE SERVICES AND AUTOMATIC INVESTMENT SERVICES - Source: Interpretive Letter 353; Interpretive Letter 562; Interpretive Letter 360; Interpretive Letter 332; and 12 C.F.R. 12.1-12.7 (Tab A-4)
- b. AGENT FOR SALE OF GOVERNMENT SECURITIES - Source: Investment Securities Letter 31 (Tab A-6) Bank may act as agent for purchase and sale of government securities on an unsolicited basis.
- c. CLOSED-END COLLECTIVE INVESTMENT FUNDS - Source: Trust Interpretation 208 (Tab A-17)
- d. COLLATERALIZED MORTGAGE OBLIGATIONS - ISSUING AND SELLING OF -Source: Interpretive Letter 378; Interpretive Letter 171 (Tab A-19) Bank may issue and sell CMOs backed by pool of conventional FHA guaranteed and VA insured residential mortgages through an unaffiliated underwriter.
- e. COLLATERALIZED MORTGAGE OBLIGATIONS - ISSUING UNDERWRITING AND DEALING IN VIA SUBSIDIARY - Source: Interpretive Letter 362 (Tab A-20) Bank's operating subsidiary may issue, underwrite and deal in bonds partially collateralized by pools of mortgages, including GNMA certificates, FNMA certificates, FHLMC certificates, and/or non-federally insured conventional residential mortgage loans.



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- f. **COMMERCIAL PAPER PLACEMENT** - Source: Interpretive Letter 329 (Tab A-22) Bank may place third party commercial paper.
- g. **DISCOUNT BROKERAGE ACTIVITIES - VIA SUBSIDIARY** - Source: Interpretive Letter 380, Interpretive letter dated June 30, 1987, [1987 WL 149813]; Interpretive Letter 403 (Tab A-32) May acquire stock of company as operating subsidiary to perform discount brokerage services and provide investment advice.
- h. **FINANCIAL ADVICE AND COUNSELING** - Source: Interpretive Letter 137; Interpretive Letter 367; and Interpretive Letter 403 (Tab A-38) Bank may offer strategic planning of a financial nature and market economic information to customers in general. Investment advice may be given through a subsidiary.
- i. **FINANCIAL ADVICE AND COUNSELING FOR MUTUAL FUNDS** - Source: 12 U.S.C. 92a(a), Interpretive Letter 403 and Interpretive Letter 298, 12 C.F.R. § 9.2105 (Tab A-90) Bank or its operating subsidiary may offer investment advice to a mutual fund.
- j. **LEASE OF BANK LOBBY TO UNAFFILIATED ENTITIES** - Source: Interpretive Letter 562; Interpretive Letter 533, Interpretive Letter 408; Interpretive Letter 407; Interpretive Letter 406; and Interpretive Letter 274 (Tab A-51) unaffiliated entity engaging in brokerage activities and insurance activities with rental payments made to the bank based on a percentage of gross commissions received by the tenant; note, however, subject to Mississippi Insurance Law.
- k. **MUNICIPAL FINANCE CONSULTING** - Source: Interpretive Letter 122 (Tab A-63)
- l. **MUNICIPAL LEASES AND INSTALLMENT PURCHASE CONTRACTS - UNDERWRITING THE SALE OF** - Source: Interpretive Letter 250 (Tab A-64) Bank may underwrite the sale of municipal leases and installment purchase contracts.
- m. **MUNICIPAL SECURITIES DEALERS, ACTING AS** - Source: 15 U.S.C. (Tab A-65) §78c(a)(30)(c)(B); 12 C.F.R. §§ 10.1-10.41.
- n. **MUTUAL FUND SHARES - PURCHASE AND SALE OF** - Source: Interpretive Letter 363 (Tab A-66) Bank may purchase or sell shares in mutual funds as agent without recourse upon a customer's order.
- o. **PRIVATE PLACEMENT OF SECURITIES AND EQUITY INVESTMENTS** -Source: Interpretive Letter 194; Interpretive Letter 25; Interpretive Letter 463; Interpretive Letter 271 and Interpretive Letter 32 (Tab A-74) Bank may participate in private placement of investment securities with equity interest in real estate as agent for bank customer.

SECURITIES LENDING - Source: Interpretive Letter 376 (Tab A-80)

Bank may lend U. S. Government securities to another bank, for the second bank to pledge to state deposits, subject to the bank's legal lending limit.

SECURITY MONITORING SERVICES - Source: Interpretive Letter dated June 6, 1985. [1985 WL 143955]. (Tab A-81)

Bank may provide security monitoring services to other financial institutions.

STANDBY LETTERS OF CREDIT - Source: Interpretive Letter dated September 5, 1985, [1985 WL 73110]; Interpretive Letter 57 (Tab A-86)

Bank may issue a standby letter of credit subject to conditions and limitations.

STOCK ACQUIRED IN LIEU OF DPC - Source: Interpretive Letter 444 (Tab A- 87)

Bank may acquire newly issued stock in other banks in settlement of debts previously contracted so long as stock is acquired primarily as a means of preventing or limiting loan losses.

STOCK WARRANTS (EQUITY KICKERS) - Source: Interpretive Letter 517

Bank may establish an operating subsidiary that will enter into two tandem limited partnerships, one of which will make commercial loans in connection with highly leveraged transactions, while the other will hold stock warrants as "equity kickers" in connection with such loans. (Tab A-88)

TRUST POWERS, EXCEPTION TO REQUIREMENT OF SECURITY FOR TRUST FUNDS DEPOSITED ON COMMERCIAL SIDE - Source: 12 C.F.R. §9.2700, 12 C.F.R. §9.3210

Requirement that securities be pledged for trust funds deposited on commercial side while awaiting investment or distribution, does not apply to accounts where the bank acts in the capacity of agent and does not have investment discretion. (Tab A-89)



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III. INVESTMENTS

BANK PREMISES - Source: 12 U.S.C. §29; 12 U.S.C. §371(d); 12 C.F.R. §7.3005, 7.3100. (Tab B-1)

Bank may invest in bank premises or in a corporation holding the bank premises.

BANK SERVICE CORPORATIONS - Source: 12 U.S.C. §1862 and 12 C.F.R. §5.35. (Tab B-2)

Bank may invest in bank service corporations subject to certain conditions and limitations in an amount not to exceed 10% of the bank's paid in and unimpaired capital and unimpaired surplus in any one corporation or 5% of assets in all such investments.

BANKERS BANK STOCK - Source: 12 U.S.C. §24 (Seventh) and 12 U.S.C. §27(b). (Tab B-3)

Bank may invest in stock of an FDIC insured bank or of a holding company which owns or controls an insured bank that is exclusively owned by depository institutions (excepting requisite directors qualifying shares), which exclusively provides depository institution related services.

COMMUNITY DEVELOPMENT CORPORATIONS - Source: 12 U.S.C. §24 (Eighth); 12 C.F.R. §7.740; OCC Banking Bulletin 91-18; OCC Advisory letter number 92-3; OCC Banking bulletin 92-37; and Interpretive Letter No. 603; (Tab B-4)
allows equity interest in projects of predominantly civic, community or public nature - 2% of capital and surplus per project and 5% of capital and surplus for all projects

EQUITY KICKERS - Source: 12 C.F.R. §7.732 (Tab B-5)

Bank may take as consideration for a loan a share in the profit, income or earnings from a business enterprise of a borrower.

EQUITY SECURITIES IN GOVERNMENT SPONSORED ENTERPRISES: (Tab B-6)

a. **FEDERAL AGRICULTURAL MORTGAGE CORPORATION** - Source: Interpretive Letter No. 427

b. **FEDERAL HOME LOAN MORTGAGE CORPORATION** - Interpretive Letter number 577

c. **FEDERAL NATIONAL MORTGAGE ASSOCIATION STOCK** - Source: 12 U.S.C. 1718(f)

d. **FEDERAL HOME LOAN BANK**, Source: 12 U.S.C. §1424 and 1426

e. **GOVERNMENT SECURITIES CLEARING CORPORATION**, Source: Interpretive Letter 421

f. **HOUSING DEVELOPMENT CORPORATIONS** - Source: 12 U.S.C. §24 Seventh -

Bank may purchase stock for its own account and corporations pursuant to Title IX of the Housing and Urban Development Act of 1968, the purpose of such corporation is to provide low and moderate income housing.

g. **NATIONAL HOUSING PARTNERSHIPS** - Source: 12 U.S.C. §24 Seventh; OCC Banking Circular 21

Investment in partnerships, limited partnerships or joint ventures formed pursuant to Sections 907a or 907c of the Housing and Urban Development Act of 1968 to provide low and moderate income housing.

h. **PUBLIC PURPOSE CORPORATION STOCK** - Source: OCC Banking Bulletin 92-37;

Bank may invest in stock of a public purpose corporation, for profit or nonprofit, to carry out activities to benefit low and moderate income areas and residence or small businesses.

i. **STATE HOUSING CORPORATION** - Source: 12 U.S.C. §24 (Seventh)

May invest in shares of stock issued by a State Housing Corporation up 5% of capital and surplus.



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MANDATORY CONVERTIBLE SECURITY - PURCHASE AND HOLDING OF - Source: Interpretive Letter dated April 22, 1986, [1986 WL 143927]; 12 C.F.R. §.19 (Tab A-57)

Bank may purchase mandatory convertible security where the corporation cannot exercise its conversion option prior to a date certain, so long as the bank disposes of the security before that date.

MUNICIPAL PARKING LOTS - Source: 12 C.F.R. §7.3010. (Tab B-8)

Bank may own a municipal parking lot, but expense incurred to acquire must be charged off and is not an equity investment.

MUTUAL FUND SHARES - Source: OCC Banking Circular 220, (Tab B-9)

Bank may purchase for its own account shares of investment companies provided portfolios of such companies consist solely of obligations which are eligible for investment by a national bank.

OPERATING SUBSIDIARIES - Source: 12 C.F.R. 5.34 (Tab B-10)

Bank may engage in banking business by means of an operating subsidiary corporation in which the parent bank owns at least eighty percent of the subsidiary voting stock.

PURCHASE OF DEBT OBLIGATIONS IN U. S. GOVERNMENT, STATE AND LOCAL GOVERNMENT AND GOVERNMENT SPONSORED ENTERPRISES, DEALING IN AND UNDERWRITING OF: (Tab B-12)

- a. AFRICAN DEVELOPMENT BANK - Source: 12 C.F.R. §§1.3(d), 1.7
- b. ASIAN DEVELOPMENT BANK OBLIGATIONS - Source: 12 C.F.R. §§1.3(d), 1.7
- c. BONDS FOR HOUSING PURPOSES - Source: Interpretive Letter 167 Bonds issued by state agency for housing purposes, subject to limitations.
- d. CANADIAN GOVERNMENT OBLIGATIONS - Source: 12 U.S.C. §24 (Seventh).
- e. ENVIRONMENTAL FINANCING AUTHORITY OBLIGATIONS - Source: 12 U.S.C. §24 (Seventh)
- f. EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT OBLIGATIONS - Source - 12 U.S.C. §24 (Seventh); 12 C.F.R. §§1.3(d)
- g. FEDERAL FARM LOAN OBLIGATIONS - Source: 12 U.S.C. §24 (Seventh)
- h. FEDERAL FINANCING BANK OBLIGATIONS - Source: 12 U.S.C. §24 (Seventh)
- i. FEDERAL HOME LOAN BANK OBLIGATIONS - Source: 12 U.S.C. §24 (Seventh)
- j. FEDERAL HOME LOAN MORTGAGE CORPORATION MORTGAGES AND OTHER SECURITY - Source: 12 U.S.C. §24 (Seventh)
- k. FEDERAL NATIONAL MORTGAGE ASSOCIATION - Source: 12 U.S.C. §24 (Seventh)
- l. GOVERNMENT NATIONAL MORTGAGE ASSOCIATION - Source: 12 U.S.C. §24 (Seventh)
- m. OBLIGATIONS INSURED BY THE SECRETARY OF HOUSING AND URBAN DEVELOPMENT (UNDER TITLE XI OF THE NHA) - Source: 12 U.S.C. §24 (Seventh) and 12 U.S.C. §1749aaa; 12 U.S.C. §1713
- n. INDUSTRIAL DEVELOPMENT REVENUE BONDS - Source: Interpretive Letter 174
- o. INTER-AMERICAN DEVELOPMENT BANK - Source: 12 C.F.R. §§1.3(d), and 1.7
- p. INTER-AMERICAN INVESTMENT CORPORATION - Source: 12 C.F.R. §1.3(d), 1.7
- q. INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT - Source: 12 C.F.R. §§1.3(d) and 1.7
- r. INTERNATIONAL FINANCE CORPORATION - Source: 12 C.F.R. §§1.3(d) and 1.7
- s. LOCAL PUBLIC HOUSING AGENCY IF SECURED BY AN AGREEMENT BETWEEN SUCH AGENCY AND HUD OR BY PLEDGE OF ANNUAL CONTRIBUTIONS - Source: 12 U.S.C. §24 (Seventh)
- t. INDIRECT OBLIGATIONS OF THE UNITED STATES - Source: Interpretive Letter 90
- u. ORIGINAL ISSUE DISCOUNT MUNICIPAL BONDS - Source: OCC Banking Bulletin 85-15
- v. FEDERAL AGRICULTURAL MORTGAGE BOARD - Source: Interpretive Letter 512
- w. SMALL BUSINESS ADMINISTRATION GUARANTEED PORTIONS OF LOANS OR POOL CERTIFICATES - Source: Interpretive Letter 373; Interpretive Letter 141
- x. STATE AND POLITICAL SUBDIVISION OBLIGATIONS - Source: 12 U.S.C. §24 (Seventh); 12 C.F.R. §1, Interpretive Letter 65

y. STUDENT LOAN MARKETING ASSOCIATION - Source: 12 U.S.C. §24 (Seventh); 12 U.S.C. §84(c)(10)

z. TDA OBLIGATIONS - Source: 12 U.S.C. §24 (Seventh) and 12 C.F.R. §§1.3(d), 1.7

aa. U. S. POSTAL SERVICE OBLIGATIONS - Source: 12 U.S.C. §24 (Seventh); 12 C.F.R. §§1.3(d), 1.7

SAFE DEPOSIT CORPORATION - Source: 12 U.S.C. §24 Seventh (Tab B-15)

Bank may invest in the capital stock of a corporation organized to conduct a safe deposit business subject to a 15% of capital limitation.

SMALL BUSINESS INVESTMENT COMPANY STOCK - Source: 15 U.S.C. §682(b) and 12 C.F.R. §7.7535 (Tab B-16).

Investment subject to 5% of bank capital limit



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